

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**

**AUDIT REPORT**

**JUNE 30, 2009**

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
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# Gary L. Larson, CPA

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board  
Jones County School District No. 37-3  
Jones County County, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County School District No. 37-3, Jones County County, South Dakota, as of and for the fiscal year ended June 30, 2009, which collectively comprise Jones County School District's basic financial statements, and have issued my report thereon dated July 31, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing my audit, I considered the School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency

is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control. I consider the deficiencies described in the accompanying schedule of current audit findings to be a significant deficiency in internal control over financial reporting. See finding number 2009-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

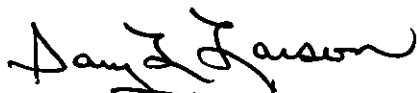
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is a material weakness. See finding number 2009-01.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School District's response to the findings identified in my audit is described in the accompanying schedule of current audit findings. I did not audit the School District's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of the South Dakota Legislature, the governing board and management of Jones County School District No. 37-3 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "David E. Hanson". The signature is fluid and cursive, with the first name "David" and last name "Hanson" clearly distinguishable.

July 31, 2009

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2009**

FINDING NO. 2007-1 AND 2008-01:

A material weakness was reported due to a lack of segregation of duties. This finding was first noted by the present auditor in 1994.

Status of June 30, 2009:

The condition noted in prior audits is still applicable.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2009**

**FINDING No. 2009-01:**

A material weakness in internal control exists due to a lack of segregation of duties in the revenue, expenditure and payroll functions.

**CRITERIA:**

To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

**POSSIBLE ASSERTED EFFECT:**

Inaccurate financial statements and/or misappropriation of funds could result from a lack of segregation of duties.

**RECOMMENDATION:**

Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

**SCHOOL DISTRICT RESPONSE:**

School district management agrees with the finding. This situation is a result of the size of the Jones County School District No. 37-3 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Jones County School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenue, expenditures and payroll. Jones County School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenue, expenditures and payroll functions continues to exist.

# Gary L. Larson, CPA

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Jones County School District No. 37-3  
Jones County County, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County School District No. 37-3, Jones County County, South Dakota, as of June 30, 2009, and for the fiscal year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Jones County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

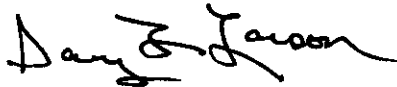
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Jones County School District No. 37-3 as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with Government Auditing Standards, I have also issued a report dated July 31, 2009 on my consideration of Jones County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Jones County School District No. 37-3 has not presented the Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules for the General and Special Revenue Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

A handwritten signature in black ink, appearing to read "David E. Larson". The signature is fluid and cursive, with a long horizontal stroke at the end.

July 31, 2009

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$2,086,996	\$10,522	\$2,097,518
Receivables	587,928	165	588,093
Inventory	1,272	1,814	3,086
Capital Assets:			
Land	27,980	0	27,980
Other capital assets, net of depreciation	1,973,202	76,891	2,050,093
<b>TOTAL ASSETS</b>	<u><u>\$4,677,378</u></u>	<u><u>\$89,392</u></u>	<u><u>\$4,766,770</u></u>
 <b>LIABILITIES:</b>			
Accounts payable	\$4,331	\$0	\$4,331
Other current liabilities	124,650	0	124,650
Deferred revenue	549,917	1,573	551,490
<b>TOTAL LIABILITIES</b>	<u><u>678,898</u></u>	<u><u>1,573</u></u>	<u><u>680,471</u></u>
 <b>NET ASSETS:</b>			
Invested in capital assets	2,001,182	76,891	2,078,073
Restricted For:			
Capital outlay	238,910	0	238,910
Special education	738,220	0	738,220
Pension	198,946	0	198,946
Food service	0	10,928	10,928
Unrestricted	821,222	0	821,222
<b>TOTAL NET ASSETS</b>	<u><u>3,998,480</u></u>	<u><u>87,819</u></u>	<u><u>4,086,299</u></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$4,677,378</u></u>	<u><u>\$89,392</u></u>	<u><u>\$4,766,770</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$1,063,211	\$0	\$147,080
Support services	759,583	5,075	25,224
Community services	92,721	2,590	71,130
Cocurricular activities	98,665	35,511	0
Total Governmental Activities	\$2,014,180	\$43,176	\$243,434
Business-type Activities:			
Food service	106,527	52,662	48,454
Total	\$2,120,707	\$95,838	\$291,888

**GENERAL REVENUES:**

Property taxes  
Gross receipts taxes  
State aid  
Unrestricted federal aid  
Unrestricted investment earnings  
Other general revenues

**TRANSFERS**

Total general revenues and transfers

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements  
are an integral part of this statement

NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS

Governmental Activities	Business-type Activities	Total
(\$916,131)	\$0	(\$916,131)
(729,284)	0	(729,284)
(19,001)	0	(19,001)
(63,154)	0	(63,154)
(1,727,570)	0	(1,727,570)
0	(5,411)	(5,411)
(1,727,570)	(5,411)	(1,732,981)
1,016,703	0	1,016,703
64,552	0	64,552
524,769	0	524,769
10,114	41	10,155
10,914	0	10,914
32,424	0	32,424
41	(41)	0
1,659,517	0	1,659,517
(68,053)	(5,411)	(73,464)
4,066,533	93,230	4,159,763
\$3,998,480	\$87,819	\$4,086,299

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	General Fund	Capital Outlay Fund	Special Education Fund
<b>ASSETS:</b>			
Cash and cash equivalents	\$904,037	\$238,327	\$745,970
Taxes receivable-current	308,645	62,963	147,626
Taxes receivable-delinquent	4,631	583	1,469
Due from other governments	26,477	0	4,567
Inventory of supplies	1,272	0	0
<b>TOTAL ASSETS</b>	<u><u>\$1,245,062</u></u>	<u><u>\$301,873</u></u>	<u><u>\$899,632</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$2,878	\$0	\$1,453
Contracts payable	89,000	0	10,198
Payroll deductions and withholding and employer matching payable	23,317	0	2,135
Deferred revenue	313,276	63,546	149,095
<b>TOTAL LIABILITIES</b>	<u>428,471</u>	<u>63,546</u>	<u>162,881</u>
<b>Fund Balances:</b>			
Reserved:			
Reserved for inventory	1,272	0	0
Unreserved			
Designated for FY '10 budget	152,812	180,615	0
Undesignated	662,507	57,712	736,751
<b>TOTAL FUND BALANCES</b>	<u>816,591</u>	<u>238,327</u>	<u>736,751</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$1,245,062</u></u>	<u><u>\$301,873</u></u>	<u><u>\$899,632</u></u>

The accompanying notes to financial statements are an integral part of this statement

Pension Fund	Total Governmental Funds
\$198,662	\$2,086,996
30,683	549,917
284	6,967
0	31,044
0	1,272
<u>\$229,629</u>	<u>\$2,676,196</u>

\$0	\$4,331
0	99,198
0	25,452
<u>30,967</u>	<u>556,884</u>
<u>30,967</u>	<u>685,865</u>

0	1,272
0	333,427
<u>198,662</u>	<u>1,655,632</u>
<u>198,662</u>	<u>1,990,331</u>
<u>\$229,629</u>	<u>\$2,676,196</u>

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET ASSETS**  
**JUNE 30, 2009**

Total Fund Balances-Government Funds	\$1,990,331
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,001,182
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. The funds report taxes as revenue when received, or when available within a 60 day period after year end. The statement of net assets reports taxes as revenue when earned for the fiscal year they were levied to fund.	<u>6,967</u>
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Net Assets-Governmental Funds	<u><u>\$3,998,480</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Capital Outlay Fund	Special Education Fund
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$575,313	\$107,938	\$262,451
Prior year's ad valorem taxes	7,833	1,237	3,177
Gross receipts taxes	64,552	0	0
Penalties and interest	1,649	213	544
Earnings on deposits:			
Interest earned	5,823	990	3,240
Cocurricular activities:			
Admissions	14,257	0	0
Other	21,254	0	0
Other revenues from local sources:			
Rentals	5,075	0	0
Contributions	4,286	250	0
Day care services	2,590	0	0
Other	4,143	1,871	0
Revenues from Intermediate Sources:			
County Sources:			
County apportionment	20,074	0	0
Revenues from State Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid	524,769	0	0
Revenues from Federal Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid received from federal government through state	10,114	0	0
Restricted grants-in-aid received from federal government through state	197,890	0	45,544
Total Revenue	<u>\$1,459,622</u>	<u>\$112,499</u>	<u>\$314,956</u>

The accompanying notes to financial statements are an  
integral part of this statement.



Pension Fund	Total Governmental Funds
\$52,318	\$998,020
609	12,856
0	64,552
104	2,510
861	10,914
0	14,257
0	21,254
0	5,075
0	4,536
0	2,590
0	6,014
0	20,074
0	524,769
0	10,114
0	243,434
<u>\$53,892</u>	<u>\$1,940,969</u>

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Capital Outlay Fund	Special Education Fund
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	\$353,912	\$30,877	\$0
High school	371,530	15,969	0
Other	10,568	0	0
Special Programs:			
Programs for special education	0	0	145,240
Educationally deprived	71,282	0	0
Support Services:			
Pupils-			
Guidance	8,231	0	0
Health	6,790	0	0
Speech pathology	0	0	31,484
Instructional staff-			
Improvement of instruction	37,384	0	0
Educational media	63,559	3,923	0
General administration-			
Board of education	13,397	0	0
Executive administration	75,296	0	0
School Administration-			
Office of the principal	73,864	0	0
Business-			
Fiscal services	76,257	0	0
Operation and maintenance			
of plant	252,994	72,576	0
Pupil transportation	55,284	7,950	0
Other	20,652	0	4,940
Central:			
Staff	118	0	0

The accompanying notes to financial statements are an  
integral part of this statement.

Pension Fund	Total Governmental Funds
\$0	\$384,789
0	387,499
0	10,568
0	145,240
0	71,282
0	8,231
0	6,790
0	31,484
0	37,384
0	67,482
0	13,397
0	75,296
0	73,864
0	76,257
0	325,570
0	63,234
0	25,592
0	118

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Capital Outlay Fund	Special Education Fund
Community Services:			
Care and custody of children	\$81,918	\$0	\$0
Cocurricular activities:			
Male activities	20,966	789	0
Female activities	18,417	5,870	0
Transportation	11,766	0	0
Combined activities	35,266	5,591	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,659,451	143,545	181,664
	<hr/>	<hr/>	<hr/>
Excess of Revenues over (under)			
Expenditures	(199,829)	(31,046)	133,292
Other Financing Sources (Uses):			
Transfers-in	902	0	0
Transfers-iout	0	0	0
Sale of surplus property	0	1,800	0
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(198,927)	(29,246)	133,292
FUND BALANCE, JULY 1, 2008	<hr/> 1,015,518 <hr/>	<hr/> 267,573 <hr/>	<hr/> 603,459 <hr/>
FUND BALANCE, JUNE 30, 2009	<hr/> <u>\$816,591</u> <hr/>	<hr/> <u>\$238,327</u> <hr/>	<hr/> <u>\$736,751</u> <hr/>

The accompanying notes to financial statements are an  
integral part of this statement.

<u>Pension Fund</u>	<u>Total Governmental Funds</u>
\$0	\$81,918
0	21,755
0	24,287
0	11,766
0	40,857
<u>0</u>	<u>1,984,660</u>
53,892	(43,691)
0	902
(861)	(861)
<u>0</u>	<u>1,800</u>
53,031	(41,850)
<u>145,631</u>	<u>2,032,181</u>
<u>\$198,662</u>	<u>\$1,990,331</u>

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Net Changes in Fund Balances-Total Governmental Funds	(\$41,850)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(29,520)
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Government funds report property taxes as revenue when cash is received (or available with 60 days), but the statement of activities includes the property taxes as revenue when earned for the fiscal year the levy was intended.	<u>3,317</u>
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Change in Net Assets of Governmental Activities	<u><u>(\$68,053)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**BALANCE SHEET - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	ENTERPRISE FUNDS
	Food Service Funds
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$10,522
Accounts receivable	165
Inventory of donated food	1,814
Total Current Assets	<u>12,501</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and equipment	94,681
Accumulated depreciation	(17,790)
Total Noncurrent Assets	<u>76,891</u>
TOTAL ASSETS	<u><u>\$89,392</u></u>
LIABILITIES	
Deferred revenue	<u>\$1,573</u>
NET ASSETS	
Invested in capital assets	76,891
Unrestricted net assets	10,928
Total Net Assets	<u>87,819</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$89,392</u></u>

The accompanying notes to financial statements are an  
integral part of this statement.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	ENTERPRISE FUNDS
	<u>Food Service Fund</u>
Operating Revenue:	
Sales:	
To pupils	\$48,285
To adults	4,377
Total Operating Revenue	<u>52,662</u>
Operating Expenses:	
Food Services:	
Purchased services	93,321
Cost of sales-donated food	7,276
Depreciation	5,930
Total Operating Expenses	<u>106,527</u>
Operating Loss	<u>(53,865)</u>
Nonoperating Revenue (Expense)	
Local Sources:	
Investment earnings	41
State Sources:	
Cash reimbursements	444
Federal Sources:	
Cash reimbursements	41,805
Donated food	6,205
Total Nonoperating Revenue (Expense)	<u>48,495</u>
Net Income (loss) before Transfers	<u>(5,370)</u>
Transfers-out	<u>(41)</u>
Change in Net Assets	(5,411)
Net Assets-beginning	<u>93,230</u>
Net Assets-ending	<u><u>\$87,819</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds
Cash Flows from Operating Activities:	
Receipts from customers	\$53,043
Payments to suppliers	(93,321)
Net Cash Provided (Used) by Operating Activities	(40,278)
Cash Flows from Noncapital Financing Activities:	
Operating subsidies	44,735
Transfer-out	(41)
Cash Flows from Investing Activities:	
Interest received	41
Net Increase in Cash and Cash Equivalents	4,457
Cash and Cash Equivalents at Beginning of Year	6,065
Cash and Cash Equivalents at End of Year	10,522
Net Increase in Cash and Cash Equivalents	\$4,457
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(\$53,865)
Adjustments to Reconcile Operating Income to Net Cash Provide (Used) by Operating Activities:	
Depreciation expense	5,930
Commodities used	7,276
Changes in Assets and Liabilities:	
Accounts receivable	(132)
Deferred revenue	513
Net Cash Provided (Used) by Operating Activities	(\$40,278)
Noncash Investing, Capital and Financing Activities:	
Value of commodities received	\$6,205

The accompanying notes to financial statements are an integral part of this statement.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2009**

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$56,943</u>
Total Assets	<u><u>\$56,943</u></u>
 LIABILITIES:	
Amounts held for others	<u>56,943</u>
Total Liabilities	<u><u>\$56,943</u></u>

The accompanying notes to financial statements are an  
integral part of this statement.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the school district conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Jones County School District No. 37-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial entity's financial statements to be misleading or incomplete.

The school district participates in a cooperative service unit with five other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. These statements distinguish between the *governmental and business-type activities*.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental,

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the district or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

General Fund - A fund established by South Dakota Codified Laws (SDLC) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of , acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the district's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

**Proprietary Funds:**

Enterprise Funds - enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund - a fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

**Fiduciary Funds:**

Fiduciary Funds are never considered to be major funds.

Agency Fund Types - agency fund types are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The district maintains agency funds to hold assets as an agent in a trustee capacity for various clubs and student organizations.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

Government-wide Financial Statements:

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**Basis of Accounting**

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Jones County School District No. 37-3, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2009 are Federal reimbursement grants.



**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Funds so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-Wide Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2009 balance of capital assets for governmental activities includes approximately 3 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by the deflated current replacement cost.

The June 30, 2009 balance of capital assets for business-type activities are all at actual cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ ALL	N/A	N/A
Improvements	25,000	Straight-line	15-50 yrs
Buildings	25,000	Straight-line	15-50 yrs
Machinery and Equipment	\$ 500	Straight-line	5-15 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. There were no long-term liabilities as of June 30, 2009.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Charges for goods and services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Fund Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity.

k. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to or at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Credit Risk** - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK CONCENTRATIONS OF  
CREDIT RISK AND INTEREST RATE RISK (continued)

**Custodial Credit Risk - Deposits** - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2009, none of the District's deposits in financial institutions were exposed to custodial credit risk.

**Custodial Credit Risk Investments** - The risk that, in the event of the counter-party to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

As of June 30, 2009, the School District had no investments.

**Interest Rate Risk** - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk** - The School District places no limit on the amount that may be invested in any one issuer.

**Assignment of Investment Income** - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment, except for the Pension and Food Service Funds, whose interest is transferred to the General Fund.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.



**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

4. INVENTORY

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the Government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. DEFERRED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

6. PROPERTY TAX

Property taxes are levied on or before each October 1, attach as an enforceable lien on property as of January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the school district's taxes and remits them to the school district.

School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to the current year property taxes receivable which is not intended to be used

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

6. PROPERTY TAX

to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal year or within the "available period."

7. CHANGES IN CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2009 is as follows:

	Balance <u>7/01/08</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/09</u>
Government Activities:				
Capital Assets				
not being				
depreciated				
Land	\$ 27,980	\$ -	\$ -	\$ 27,980
Capital Assets				
being depreciated				
Buildings	2,337,286	41,487		2,378,773
Machinery and				
Equipment	775,175	39,769	86,691	728,253
	<u>3,112,461</u>	<u>81,256</u>	<u>86,691</u>	<u>3,107,026</u>
Less accumulated depreciation for:				
Buildings	757,740	50,870	-	808,610
Machinery and				
Equipment	351,999	59,906	86,691	325,214
	<u>1,109,739</u>	<u>110,776</u>	<u>86,691</u>	<u>1,133,824</u>
Total capital assets				
being depreciated,				
net:	<u>2,002,722</u>	<u>(29,520)</u>	<u>-</u>	<u>1,973,202</u>
Governmental activity				
capital assets,				
net:	<u>\$2,030,702</u>	<u>\$ (29,520)</u>	<u>\$ -</u>	<u>\$2,001,182</u>

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

7. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Instruction	\$ 63,833
Support Services	36,140
Cocurricular Activities	<u>10,803</u>
	<u>\$ 110,776</u>

	<u>Balance</u> <u>7/01/08</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/09</u>
Business-type Activities:				
Capital Assets				
being depreciated				
Machinery and				
Equipment	\$ 94,681	\$ -	\$ -	\$ 94,681
Less accumulated depreciation for:				
Machinery and				
Equipment	<u>11,860</u>	<u>5,930</u>	<u>-</u>	<u>17,790</u>
Total capital assets				
being depreciated,				
net:	<u>82,821</u>	<u>(5,930)</u>	<u>-</u>	<u>76,891</u>
Business-type activity				
capital assets,				
net:	<u>\$ 82,821</u>	<u>\$ (5,930)</u>	<u>\$ -</u>	<u>\$ 76,891</u>

Depreciation expense was charged to functions as follows:

Food Service	<u>\$ 5,930</u>
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8. RESTRICTED NET ASSETS

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

8. RESTRICTED NET ASSETS (continued)

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Fund	Law	\$ 238,910
Special Education Fund	Law	738,220
Pension Fund	Law	198,946
Food Service	Law	<u>10,928</u>
Total Restricted Net Assets:		<u>\$1,187,004</u>

9. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$63,737, \$59,756, and \$54,901 respectively, equal to the required contributions each year.

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

10. JOINT VENTURES

The school district participates in the Three Rivers Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to the member school districts. The members of the co-op and their relative percentage of participation

Bennett County	27%
Jones County	13%
Kadoka	23%
Lyman	17%
White River	18%
Wood	<u>2%</u>
	<u>100%</u>

The co-op's governing board is composed of one representative from each member school district who is a school board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Three Rivers Special Services Cooperative, Midland, South Dakota.

As of June 30, 2009, this joint venture had a total net assets of \$862,671 and long-term debt of \$4,546.

11. RISK MANAGEMENT

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2009, the school district managed its risks as follows:

**JONES COUNTY SCHOOL DISTRICT NO. 37-3**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

11. RISK MANAGEMENT (continued)

Employee Health Insurance:

The School District purchases health insurance from a commercial carrier.

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District purchased liability and property insurance from a commercial carrier.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2009, no claims were paid for unemployment benefits. At June 30, 2009, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and

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11. RISK MANAGEMENT (continued)

administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.